

Message Text

CONFIDENTIAL

PAGE 01 PHNOM 12310 161823Z

50

ACTION EA-14

INFO OCT-01 ISO-00 SSO-00 NSCE-00 IGA-02 COME-00 L-03

PRS-01 INRE-00 CIAE-00 INR-11 NSAE-00 RSC-01 IO-14

H-03 PM-07 FEAE-00 AGR-20 SWF-02 INT-08 DODE-00 /087 W

----- 030560

O 131135Z SEP 74

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC IMMEDIATE 7696

C O N F I D E N T I A L PHNOM PENH 12310

C O R R E C T E D C O P Y (MRN 12310 VICE 1210)

E.O. 11652: GDS

TAGS: PFOR, ECON, EAID, EFIN, CB, US

SUBJECT: ECONOMIC REFORMS PACKAGE

1. THIS NOON I SENT LETTER TO PRIME MINISTER LONG BORET FOLLOWING UP ON OUR CONVERSATION OF YESTERDAY EVENING ON ABOVE SUBJECT. LETTER STATED THAT WHILE WE COULD NOT ADDRESS OURSELVES TO THE POLITICAL ASPECTS OF THE PROBLEM, OUR ECONOMIC EXPERTS CONSIDERED THE SITUATION SO GRAVE THAT IT IS ABSOLUTELY URGENT THAT THE PROPOSED PACKAGE OF MEASURES BE IMPLEMENTED AND ANNOUNCED WITHOUT DELAY. LETTER ADDED THAT WHILE THERE WILL OBVIOUSLY BE POLITICAL CONSEQUENCES, THAT WOULD BE TRUE AT ANY TIME, AND THEY WILL PERHAPS BE WORSE IF WE WAIT UNTIL THE ECONOMIC SITUATION HAS DETERIORATED FURTHER. LETTER ENCLOSED A PAPER PREPARED BY USAID DIRECTOR OLMSTED SUMMARIZING THE IMMEDIATE PROBLEMS WE FACE IN THE ABSENCE OF POSITIVE ACTION ON THE ECONOMIC CORRECTION MEASURES, AS WELL AS THE GOOD THINGS THAT CAN HAPPEN AS SOON AS THESE MEASURES ARE IMPLEMENTED.

2. FINANCE MINISTER KHY TAING LIM ARRANGED FOR OLMSTED AND ME TO MEET WITH PRIME MINISTER AND HIMSELF IN THE AFTERNOON WHILE THE COUNCIL OF MINISTERS WAS GATHERING TO DISCUSS THIS MATTER. OLMSTED MADE A SUMMARY PRESENTA-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PHNOM 12310 161823Z

TION OF THE NEED AND JUSTIFICATION FOR VARIOUS ELEMENTS

OF THE PACKAGE TO WHICH THE PRIME MINISTER LISTENED AT-TENTIVELY. AT THE END LONG BORET ALLUDED TO THE POLITICAL PROBLEMS THE GOVERNMENT WOULD FACE AND THE POSSIBILITY THAT IT MIGHT FALL FROM POWER AT THIS CRITICAL TIME AS THE VOTE IN THE UNGA IS LOOMING ON THE HORIZON. HE SAID HE HAD NO PROBLEM WITH INCREASES IN THE PRICES OF RICE AND PETROLEUM BUT HE WONDERED IF THE DEVALUATION OF THE RIEL COULD BE MANAGED IN TWO STAGES, PART NOW AND PART AFTER THE UNGA VOTE.

3. WE RESPONDED THAT THAT WAS NOT POSSIBLE FOR PRACTICAL REASONS (A PARTIAL DEVALUATION WOULD BE SELF-DEFEATING) AND BECAUSE THE CORRECTION MEASURES CONSTITUTE A PACKAGE WHICH MUST BE ADOPTED IN ITS ENTIRETY. OLMSTED STATED THAT HE HAD BEEN GIVEN NO LEEWAY BY WASHINGTON AND IT IS ESSENTIAL THAT THESE CORRECTIVE MEASURES BE TAKEN ASAP OR ELSE WE WOULD BE PLACING THE ECONOMY AND THE AID PROGRAM IN JEOPARDY. DURING THIS DISCUSSION KHY TAIN LIM PASSED A NOTE TO OLMSTED WHICH SAID IN EFFECT, "DON'T COMPROMISE. STAND YOUR GROUND FOR THE WHOLE THING."

4. FINALLY LONG BORET STATED THAT IF HIS GOVERNMENT HAD NO CHOICE THEY WOULD SIMPLY HAVE TO GO AHEAD AND HOPE FOR THE BEST. I SAID TO HIM THAT IF PACKAGE WORKED AS WE EXPECTED IT TO, THERE WOULD IN TIME BE FAVORABLE POLITICAL CONSEQUENCES FOR THE GOVERNMENT; IF IT DIDN'T WORK, HE COULD BLAME THE WHOLE THING ON THE AMERICANS.

5. COMMENT: PREDICTIONS AT THIS LATE STAGE ARE UNWISE, BUT OLMSTED AND I RECEIVED THE IMPRESSION THAT THE PRIME MINISTER WILL PUSH THE MATTER THROUGH TO A CONCLUSION IN SHORT ORDER. COUNCIL OF MINISTERS IS SUPPOSED TO DECIDE QUESTION THIS AFTERNOON AND TOMORROW LONG BORET WILL PRESENT IT TO THE EXECUTIVE COUNCIL. LONG BORET CONFIRMED THAT HE DOES NOT EXPECT ANY PROBLEMS WITH THE MARSHAL OR WITH SIRIK MATAK.

KEELEY

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PHNOM12310
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740259-0042
From: PHNOM PENH
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740947/aaaabobc.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 24 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 JUL 2002 by martinml>; APPROVED <19 MAR 2003 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC REFORMS PACKAGE
TAGS: PFOR, ECON, EAID, EFIN, CB, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005